

The Address—Mr. Harkness

present time would result in severe losses to the treasury and would be an expensive proposition for the people of Canada as a whole. Actually the losses which were incurred were very small, being just over \$11,000 to date and another \$9,000 which has not been collected, but which apparently it is hoped will be collected. I believe something must be wrong in the mechanics of the system with regard to previous loans if there were any losses at all. I do not think it was necessary that there should have been any losses. Certainly a system could be put into effect which would prevent any losses at the present time. There are several ways in which credit could be made available to the farmers who need it at the present time, without any possibility of loss to the treasury. I would say there is no necessity of even a government guarantee of bank loans.

A system of this sort might be introduced by making a change in the wheat board act, if it is necessary; or all that might be required is a change in the regulations. The money might be advanced by the bank on farm-stored wheat to the extent of, we will say, 75 cents a bushel or 70 cents a bushel or whatever the amount might be around there, approximately half the initial price. The money advanced by the bank up to that amount, or whatever amount you might wish to state, could be made a first charge against that wheat when it is delivered. In your act or in your regulations it could be provided that an entry would be made in the farmer's grain permit book by the bank manager when he borrowed the money. When the farmer delivered his grain, the elevator agent he went to would see this entry there; it might be \$500; it might be \$1,000. As the farmer delivered his grain the elevator agent, instead of giving him a cheque, would be instructed to send the cheques to the bank until the \$500 or \$1,000, or whatever was the amount, was paid off. As he did so, of course, he would make the appropriate entries in the permit book, so the permit book would show the amount of the loan to start with and by how much it was reduced until it was extinguished; and of course you would have, as a result, a completely guaranteed method of repaying the banks without, as far as I can see, any loss to the treasury and without any expensive administrative set-up or costs involved whatever. It is just a matter of providing the authority and then issuing the instructions to the elevator agents.

Such a scheme is safe because, as I have said before, the farmer cannot sell his wheat and his other grain except to the wheat board on his permit book; and he has to produce his permit book before they will take

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delivery of it. They mark on it what he has delivered and so forth. Therefore from that point of view the thing is fairly safe. The only possibility of loss under such a scheme would be by fire, a contingency which the bank could cover by fire insurance if they wished, or it could be provided that the farmer must cover it by fire insurance. The cost of fire insurance on farm-stored grain is not high, relatively. It runs to about \$3 a thousand for a six months' period. If that fire insurance provision were made the banks, of course, could charge it up just like interest and collect it back when they were repaid.

Although, as I say, it seems to me that a scheme of this sort is absolutely foolproof, if any fear still existed as to the possibility of loss to the treasury, to the banks or to anyone else so that the banks would not be willing to lend the money, then I think you could make a further provision which would absolutely cover everything. That would be a provision for a deduction, on deliveries of grain, of half a cent a bushel just in the same way deductions are now made under the Prairie Farm Assistance Act. That half a cent a bushel could go into a special fund which would be held to cover any possible losses. In the course of time, when the crop was cleaned up and the debts were repaid, the money would go back into the general funds of the wheat board and therefore back into the hands of the farmers. In other words it would be quite possible for the farmers, out of their own funds as a group, to guarantee this scheme against loss through really bookkeeping entries on the part of the wheat board.

There is only one way in which any losses could occur, as far as I can see, and that would be if a banker lent money on non-existent grain. Of course in the case of a bank that lent money on non-existent grain, I would say the bank would be responsible and would have to take the loss. I do not see why the banks should be guaranteed against serious errors on their part. In any other business transaction, if they lend money against assets which are not there and then cannot collect, they of course take the loss and look upon it as part of their normal business or just as a mistake that has been made. The situation would need to be the same here.

Mr. Speaker, I suggest this as only one scheme by which the present credit difficulties of the western farmers could be met on a straight business basis, with no question of a handout, paternalism or anything else of that nature. I do not for a moment contend that this is the only sort of scheme which